

BUSS & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

# **BRIGHTON DISTRICT LIBRARY**

**Brighton, Michigan**

**FINANCIAL REPORT**

**WITH SUPPLEMENTAL INFORMATION**

**PREPARED IN ACCORDANCE WITH GASB 34**

**November 30, 2005**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <b>DISTRICT LIBRARY</b> <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>BRIGHTON DISTRICT LIBRARY</b>	County <b>LIVINGSTON</b>
Audit Date <b>11/30/05</b>	Opinion Date <b>4/28/06</b>	Date Accountant Report Submitted to State: <b>MAY 9, 2006</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

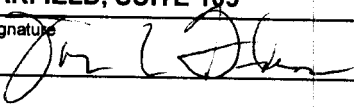
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BUSS &amp; COMPANY, P.C.</b>			
Street Address <b>42550 GARFIELD, SUITE 105</b>		City <b>CLINTON TWP.</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48038</b>	Date <b>5/10/06</b>
<b>JOHN E. GIDEON</b>			

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
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INDEPENDENT AUDITOR'S REPORT

April 28, 2006

To the Board of Trustees  
Brighton District Library  
Brighton, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Brighton District Library as of and for the year ended November 30, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brighton District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brighton District Library as of November 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule on pages 3 through 4 and page 18, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BUSS & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees  
Brighton District Library  
April 28, 2006  
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Brighton District Library's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.

*Buss & Company, P.C.*  
Certified Public Accountants

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BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
November 30, 2005

Using this Annual Report

This annual report consists of four parts - *Management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental information*, and *other supplemental information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The *fund financial statements* include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information* and *other supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year and prior year.

	<u>2005</u>	<u>2004</u>
Current assets	\$ 818,474	\$ 808,452
Capital assets	<u>4,338,617</u>	<u>4,287,483</u>
Total Assets	<u>\$5,157,091</u>	<u>\$5,095,935</u>
Long-term debt	\$3,595,000	\$3,860,000
Other liabilities	<u>89,520</u>	<u>89,956</u>
Total Liabilities	<u>\$3,684,520</u>	<u>\$3,949,956</u>
Net Assets:		
Invested in capital assets, net of related debt and accrued interest	\$ 716,978	\$ 398,901
Restricted for debt service	52,425	69,758
Restricted for capital improvements	245,839	240,543
Unrestricted	<u>457,329</u>	<u>436,777</u>
Total Net Assets	<u>\$1,472,571</u>	<u>\$1,145,979</u>
Revenue:		
Property taxes	\$1,626,384	\$1,561,515
Other	<u>313,072</u>	<u>262,998</u>
Total Revenue	<u>\$1,939,456</u>	<u>\$1,824,513</u>
Expenses - Library services	<u>1,741,399</u>	<u>1,659,287</u>
Change in Net Assets	<u>\$ 198,057</u>	<u>\$ 165,226</u>

(Continued)

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
November 30, 2005

**The Library as a Whole**

- The Library's net assets increased by \$198,057 this year. This reflects that taxpayers, current users, and other supporters of the Library have paid the full cost of operating the Library, even after depreciation and recognition of long-term obligations.
- The Library's primary source of revenue is from property taxes, which represents 84% of total revenue.
- Total expenses were 90% of total revenue for the year ended November 30, 2005. Salaries amount to approximately 48% of total expenditures. Benefits amount to 8% of total expenditures.

**The Library's Funds**

The Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources provided and insight into the Library's financial health. An analysis of the Library's funds are included on pages 7 through 9.

In total, the fund balance of the Library increased during the current year by \$8,515.

**Library Budgetary Highlights**

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. There were no significant amendments.

**Capital Assets**

At the end of the fiscal year, the Library had \$4,338,617 invested in net capital assets, including building improvements, furniture and equipment, computer equipment, and books and materials. The Library added \$176,018 of capital assets consisting of new books, various audio/visual materials, computer equipment and office equipment.

**Debt**

At the end of the year, the Library had \$3,595,000 in general obligation bonds outstanding versus \$3,860,000 at November 30, 2004. This represents a decrease of 7%.

**Economic Factors and Considerations for Next Year**

The Library's tax base continues to increase with the growth of the City and Townships. We, however, need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include health insurance benefits which have shown significant increases in the last few years and employee compensation, because it is such a significant portion of the Library's operating expenses.

**Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director at 100 Library Drive, Brighton, Michigan 48116.

Buss & Company, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
BRIGHTON, Michigan  
STATEMENT OF NET ASSETS  
November 30, 2005

ASSETS

Cash and cash equivalents		\$ 806,539
Due from others		3,727
Prepaid expenses		8,208
Capital assets		<u>4,338,617</u>

Total Assets		<u>\$5,157,091</u>
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LIABILITIES

Accounts payable and accrued liabilities		\$ 89,520
Bonds payable - Due within one year	\$ 285,000	
- Long-term	<u>3,310,000</u>	<u>3,595,000</u>

Total Liabilities		<u>\$3,684,520</u>
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NET ASSETS

Invested in capital assets, net of related debt and accrued interest		\$ 716,978
Restricted for debt service		52,425
Restricted for capital improvements		245,839
Unrestricted		<u>457,329</u>

Total Net Assets		<u>\$1,472,571</u>
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See accompanying notes to financial statements.



BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
STATEMENT OF ACTIVITIES  
Year Ended November 30, 2005

<u>FUNCTION/PROGRAM:</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
Governmental Activities:				
Library services/operations	<u>\$1,741,399</u>	<u>\$ 50,639</u>	<u>\$ 1,030</u>	<u>(\$1,689,730)</u>
	<u>GENERAL REVENUES:</u>			
	Property taxes			\$1,626,384
	State revenues and penal fines			184,229
	Interest			34,066
	Gifts and memorials			42,878
	Other miscellaneous			230
	Total General Revenues			<u>\$1,887,787</u>
	CHANGE IN NET ASSETS			\$ 198,057
	<u>NET ASSETS:</u>			
	Beginning of year			<u>1,274,514</u>
	End of year			<u>\$1,472,571</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
COMPARATIVE BALANCE SHEETS  
GOVERNMENTAL FUNDS  
November 30, 2005 and 2004

	<u>GENERAL FUND</u>	<u>DEBT RETIREMENT FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	
				<u>2005</u>	<u>2004</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$508,275	\$ 52,425	\$245,839	\$806,539	\$808,291
Due from others	3,727	-	-	3,727	161
Prepaid expenses	<u>8,208</u>	<u>-</u>	<u>-</u>	<u>8,208</u>	<u>-</u>
Total Assets	<u>\$520,210</u>	<u>\$ 52,425</u>	<u>\$245,839</u>	<u>\$818,474</u>	<u>\$808,452</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 10,254	\$ -	\$ -	\$ 10,254	\$ 13,663
Accrued liabilities	52,627	-	-	52,627	46,681
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,030</u>
Total Liabilities	<u>\$ 62,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,881</u>	<u>\$ 61,374</u>
<u>FUND BALANCES</u>					
Fund Balances:					
Unreserved:					
Designated for:					
Debt service	\$ -	\$ 52,425	\$ -	\$ 52,425	\$ 69,758
Capital improvements	-	-	245,839	245,839	240,543
Undesignated	<u>457,329</u>	<u>-</u>	<u>-</u>	<u>457,329</u>	<u>436,777</u>
Total Fund Balances	<u>\$457,329</u>	<u>\$ 52,425</u>	<u>\$245,839</u>	<u>\$755,593</u>	<u>\$747,078</u>
Total Liabilities and Fund Balances	<u>\$520,210</u>	<u>\$ 52,425</u>	<u>\$245,839</u>	<u>\$818,474</u>	<u>\$808,452</u>

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
For The Year Ended November 30, 2005

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS \$ 755,593

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the governmental funds:

The cost of capital assets is	\$6,530,753	
Accumulated depreciation	( 2,192,136)	4,338,617

Long-term liabilities are not due and payable in the current period  
and are not reported in the governmental funds:

Bonds payable	( 3,595,000)
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Accrued interest payable on bonds is not included as a liability in the governmental funds	( 26,639)
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$1,472,571

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
 For The Years Ended November 30, 2005 and 2004

	<u>GENERAL</u>	<u>DEBT RETIREMENT</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS 2005</u>	<u>2004</u>
<u>REVENUES:</u>					
Property taxes	\$1,213,445	\$412,939	\$ -	\$1,626,384	\$1,561,515
Penal fines	151,540	-	-	151,540	135,825
State aid	28,088	-	-	28,088	28,170
Fines and fees	50,639	-	-	50,639	47,443
Interest	22,246	6,524	5,296	34,066	15,453
Revenue sharing	4,601	-	-	4,601	4,601
Friends of the Library	19,304	-	-	19,304	20,938
Grants	1,030	-	-	1,030	2,150
Miscellaneous	23,804	-	-	23,804	8,418
Total Revenues	<u>\$1,514,697</u>	<u>\$419,463</u>	<u>\$ 5,296</u>	<u>\$1,939,456</u>	<u>\$1,824,513</u>
<u>EXPENDITURES:</u>					
Salaries and wages	\$ 838,989	\$ -	\$ -	\$ 838,989	\$ 797,259
Fringe benefits	66,635	-	-	66,635	61,264
Payroll taxes and other payroll costs	64,531	-	-	64,531	60,961
Staff training and development	11,003	-	-	11,003	9,033
Supplies	21,487	-	-	21,487	19,730
Technology	33,641	-	-	33,641	30,298
Copier supplies and equipment maintenance	14,421	-	-	14,421	13,053
Building expenses	43,567	-	-	43,567	44,988
Contracted services	67,176	-	-	67,176	70,276
Bookmobile expenses	40,278	-	-	40,278	-
Communications	7,175	-	-	7,175	7,714
Insurance	15,432	-	-	15,432	15,037
Utilities	64,229	-	-	64,229	56,991
Advertising and public relations	19,632	-	-	19,632	15,366
Friends of the Library	19,305	-	-	19,305	20,937
Miscellaneous	26,822	-	-	26,822	13,278
Program expenditures	3,061	-	-	3,061	2,886
Grant expenditures	1,046	-	-	1,046	2,153
Capital outlay	-	-	-	-	80,272
Collection expenditures	135,715	-	-	135,715	138,957
Debt service:					
Principal and interest	-	436,495	-	436,495	427,275
Fees and other costs	-	301	-	301	301
Total Expenditures	<u>\$1,494,145</u>	<u>\$436,796</u>	<u>\$ -</u>	<u>\$1,930,941</u>	<u>\$1,888,029</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ 20,552	(\$ 17,333)	\$ 5,296	\$ 8,515	(\$ 63,516)
FUND BALANCE - DECEMBER 1	436,777	69,758	240,543	747,078	810,594
FUND BALANCE - NOVEMBER 30	<u>\$ 457,329</u>	<u>\$ 52,425</u>	<u>\$245,839</u>	<u>\$ 755,593</u>	<u>\$ 747,078</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For The Year Ended November 30, 2005

\$ 8,515

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(\$253,419)	
Capital outlay	<u>176,018</u>	( 77,401)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities		265,000
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Accrued interest on bonds is an expenditure in the statement of activities; it is not reported in the governmental funds until paid		<u>1,943</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$198,057</u>
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See accompanying notes to financial statements.

BUSS & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
COMPARATIVE STATEMENTS OF NET ASSETS  
FIDUCIARY FUNDS  
November 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
NOTES TO FINANCIAL STATEMENTS  
November 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Brighton District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**A. GOVERNMENTAL REPORTING ENTITY**

The Brighton District Library operates under the authority of P.A. 24 of the Michigan P.A. of 1989 as amended. The Library's major support is from property taxes levied in the City of Brighton and the Townships of Brighton, Genoa and Green Oaks. The Library is governed by a seven member appointed Board of Trustees. There are no component units as defined by generally accepted accounting principles that are required to be presented in the financial statements.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in four parts - invested in capital assets, net of related debt and accrued interest; restricted for debt service; restricted for capital improvements; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

**Fund Financial Statements**

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

(Continued)

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
November 30, 2005

**Fund Financial Statements (Continued)**

The Library reports the following funds:

**Governmental:**

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for funds used to repay principal and interest on outstanding debt.

Capital Projects Fund - The Capital Projects Fund is used to account for monies used for the acquisition and improvement of capital assets including equipment and technology.

**Fiduciary:**

Trust and Agency Fund - The Trust and Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations or other funds. They are custodial in nature and do not involve the measurement of results of operations. All assets of the fund were distributed as of November 30, 2005 and 2004.

**C. ASSETS, LIABILITIES AND FUND EQUITY**

**Cash and Investments**

The Library is authorized by state statutes to invest surplus funds in U.S. bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investments. During the year ended November 30, 2005, the Library invested in certificates of deposit and money market accounts.

**Receivables and Payables**

Property taxes are levied on each December 1<sup>st</sup> on the taxable value of property as of the preceding December 31. Taxes are considered delinquent if not paid by February 28 of the following year.

The 2005 taxable valuation of the Library totals approximately \$2.3 billion, on which ad valorem taxes levied consisted of .6693 mills for Library operations and .2185 mills for Library Refunding Bonds, raising \$1,213,445 for Library operating purposes and \$412,939 for debt retirement. These amounts are recognized in the financial statements as property tax revenue.

(Continued)



BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
November 30, 2005

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years - 15% salvage value
Furniture and equipment	10-20 years - 10% salvage value
Improvements	10-20 years
Library books and materials	3-10 years - 10% salvage value
Computer equipment	2-5 years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the General Fund. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end. State law does not require that a budget be adopted for the Debt Retirement Fund.

(Continued)

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
November 30, 2005

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The budget of the Library is adopted on a total revenue and expenditure basis. Budgeted expenditures exceeded actual expenditures for the year ended November 30, 2005.

**III. DETAILED NOTES**

**A. DEPOSITS AND INVESTMENTS**

Deposits and investments are carried at cost plus accrued interest which approximates fair value.

At year end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

Deposits (Checking accounts, savings accounts, certificates of deposit and money market accounts)	<u>\$806,539</u>
Investments in securities, mutual funds and similar vehicles	<u>\$ -</u>

**Credit Risk** - The Library's investments are limited by state statutes. The Library has no investment policy that would further limit its investment choices.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. As of November 30, 2005, \$362,418 of the Library's bank balance of \$815,815 was exposed to custodial risk as follows:

<u>DEPOSITS</u>	<u>INSURED (FDIC)</u>	<u>UNINSURED AND UNCOLLATERALIZED</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Demand Deposits	\$ 54,923	\$ -	\$ 45,567	\$ 54,923
Money Market Funds	100,000	161,333	261,413	261,333
Certificates of Deposit	<u>298,474</u>	<u>201,085</u>	<u>499,559</u>	<u>499,559</u>
	<u>\$453,397</u>	<u>\$362,418</u>	<u>\$806,539</u>	<u>\$815,815</u>

(Continued)

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
November 30, 2005

**B. CAPITAL ASSETS**

Capital asset activity of the Library was as follows:

	<u>BALANCE</u> <u>DECEMBER 1, 2004</u>	<u>ADDITIONS</u>	<u>DISPOSALS AND</u> <u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>NOVEMBER 30, 2005</u>
Assets not being depreciated:				
Land	\$ 540,000	\$ -	\$ -	\$ 540,000
Capital assets being depreciated:				
Buildings and improvements	\$3,423,424	\$ -	\$ -	\$3,423,424
Furniture and equipment	657,903	1,185	-	659,088
Computer equipment	217,570	8,898	-	226,468
Library collection	<u>1,515,838</u>	<u>165,935</u>	<u>-</u>	<u>1,681,773</u>
Subtotal	<u>\$5,814,735</u>	<u>\$176,018</u>	<u>\$ -</u>	<u>\$5,990,753</u>
Accumulated depreciation:				
Buildings and improvements	\$ 484,826	\$ 58,386	\$ -	\$ 543,212
Furniture and equipment	299,767	39,509	-	339,276
Computer equipment	205,922	10,928	-	216,850
Library collection	<u>948,202</u>	<u>144,596</u>	<u>-</u>	<u>1,092,798</u>
Subtotal	<u>\$1,938,717</u>	<u>\$253,419</u>	<u>\$ -</u>	<u>\$2,192,136</u>
Net capital assets being depreciated	<u>\$3,876,018</u>	<u>(\$ 77,401)</u>	<u>\$ -</u>	<u>\$3,798,617</u>
Net Capital Assets	<u>\$4,416,018</u>	<u>(\$ 77,401)</u>	<u>\$ -</u>	<u>\$4,338,617</u>

**C. LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities for the year ended November 30, 2005:

	<u>BALANCE</u> <u>12/1/04</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>11/30/05</u>	<u>DUE IN</u> <u>ONE YEAR</u>
Bonds payable	<u>\$3,860,000</u>	<u>\$ -</u>	<u>\$265,000</u>	<u>\$3,595,000</u>	<u>\$285,000</u>

(Continued)

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
November 30, 2005

C. LONG-TERM LIABILITIES (Continued)

**Bonds Payable**

Bonds payable consists of the 1998 Refunding Bonds totalling \$3,595,000, due in annual installments ranging from \$285,000 to \$425,000. The interest rates on the bonds range from 4.4 to 4.45%. Interest is payable semi-annually on April 1 and October 1.

The annual debt service requirements, including principal and interest, are as follows:

<u>YEAR ENDED</u> <u>NOVEMBER 30</u>	<u>AMOUNT</u>
2006	\$ 444,836
2007	452,294
2008	458,722
2009	454,260
Thereafter	<u>2,722,580</u>
	<u>\$4,532,692</u>

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

VI. PRIOR-PERIOD COMPARATIVE FINANCIAL INFORMATION

The fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended November 30, 2004, from which the summarized information was derived.

Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

BUSS & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

## REQUIRED SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For The Year Ended November 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<u>REVENUES:</u>				
Property taxes	\$1,204,399	\$1,204,399	\$1,213,445	\$ 9,046
Penal fines	134,690	146,207	151,540	5,333
State aid	28,136	28,136	28,088	( 48)
Fines and fees	49,950	49,950	50,639	689
Interest	11,100	11,100	22,246	11,146
Revenue sharing	4,462	4,462	4,601	139
Friends of the Library	15,000	19,305	19,304	( 1)
Grants	-	1,030	1,030	-
Miscellaneous	8,100	8,100	23,804	15,704
Total Revenues	<u>\$1,455,837</u>	<u>\$1,472,689</u>	<u>\$1,514,697</u>	<u>\$ 42,008</u>
<u>EXPENDITURES:</u>				
Salaries and wages	\$ 843,202	\$ 843,202	\$ 838,989	\$ 4,213
Fringe benefits	75,273	75,273	66,635	8,638
Payroll taxes and other payroll costs	64,352	64,552	64,531	21
Staff training and development	11,100	11,100	11,003	97
Supplies	21,709	21,709	21,487	222
Technology	31,000	34,000	33,641	359
Copier supplies and equipment maintenance	15,182	15,182	14,421	761
Building expenses	43,111	43,111	43,567	( 456)
Contracted services	69,718	69,718	67,176	2,542
Bookmobile expenses	-	40,278	40,278	-
Communications	7,500	7,500	7,175	325
Insurance	16,540	16,540	15,432	1,108
Utilities	56,000	64,300	64,229	71
Advertising and public relations	18,200	20,200	19,632	568
Friends of the Library expenditures	15,000	19,305	19,305	-
Miscellaneous	21,750	21,750	26,822	( 5,072)
Program expenditures	3,100	3,100	3,061	39
Grant expenditures	-	1,047	1,046	1
Collection expenditures	143,100	143,100	135,715	7,385
Total Expenditures	<u>\$1,455,837</u>	<u>\$1,514,967</u>	<u>\$1,494,145</u>	<u>\$ 20,822</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>(\$ 42,278)</u>	<u>\$ 20,552</u>	<u>\$ 62,830</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

## OTHER SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
SCHEDULE OF BONDS PAYABLE  
November 30, 2005

1998 REFUNDING BONDS DATED AUGUST 1, 1998  
(Interest Due Semi-Annually, April 1 and October 1)

<u>INTEREST RATE</u>	<u>MATURITY DATE OCTOBER 1</u>	<u>AMOUNT MATURING ANNUALLY</u>
4.4%	2006	\$ 285,000
4.45%	2007	305,000
4.45%	2008	325,000
4.45%	2009	335,000
4.45%	2010	350,000
4.45%	2011	365,000
4.45%	2012	385,000
4.45%	2013	400,000
4.45%	2014	420,000
4.45%	2015	<u>425,000</u>

Principal Outstanding at November 30, 2005

\$3,595,000



BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
SCHEDULE OF BOND INDEBTEDNESS  
(PRINCIPAL AND INTEREST)  
November 30, 2005

1998 REFUNDING BONDS DATED AUGUST 1, 1998  
(Interest Due Semi-Annually April 1 and October 1)

<u>YEAR ENDED</u> <u>NOVEMBER 30</u>	<u>INTEREST</u> <u>DUE</u> <u>APRIL 1</u>	<u>INTEREST</u> <u>DUE</u> <u>OCTOBER 1</u>	<u>PRINCIPAL</u> <u>DUE</u> <u>OCTOBER 1</u>	<u>TOTAL</u> <u>PRINCIPAL AND</u> <u>INTEREST</u>
2006	\$ 79,918	\$ 79,918	\$ 285,000	\$ 444,836
2007	73,647	73,647	305,000	452,294
2008	66,861	66,861	325,000	458,722
2009	59,630	59,630	335,000	454,260
2010	52,176	52,176	350,000	454,352
2011	44,389	44,389	365,000	453,778
2012	36,267	36,267	385,000	457,534
2013	27,701	27,701	400,000	455,402
2014	18,801	18,801	420,000	457,602
2015	<u>9,456</u>	<u>9,456</u>	<u>425,000</u>	<u>443,912</u>
	<u>\$468,846</u>	<u>\$468,846</u>	<u>\$3,595,000</u>	<u>\$4,532,692</u>

BUSS & COMPANY, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY  
Brighton, Michigan  
SCHEDULE OF COLLECTION EXPENDITURES  
For The Year Ended November 30, 2005

GENERAL FUND

ADULT COLLECTION:

Audio	\$ 14,080
Videos	7,873
Music CD's	4,778
Books - Fiction	15,820
Books - Non-fiction	18,975
Periodicals	8,291
Large print	1,431
Reference	6,810
Professional collection	1,219
Continuations	16,978
Brighton Room	1,505

YOUTH COLLECTION:

Audio	2,609
CD-ROMs	1,424
Videos	2,393
Books - Young Adult	11,067
Books - Children	17,606
Reference	934
Periodicals	1,631
Miscellaneous	291

BOOKMOBILE COLLECTION	15,614
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DONATED MATERIALS	<u>14,606</u>
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Totals	<u>\$165,935</u>
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# BUSS & COMPANY, P.C.

Certified Public Accountants  
42550 Garfield, Suite 105  
Clinton Township, Michigan 48038

Telephone (586) 263-8200  
Facsimile (586) 263-8329

Gerald H. Dryer, C.P.A.  
Paul K. Burbach, C.P.A.  
John E. Gideon, C.P.A.  
Thomas J. Thomas, C.P.A.  
Joseph M. Brandenburg, C.P.A.  
Randy A. Carlier, C.P.A.

MEMBERS  
The American Institute of  
Certified Public Accountants

The Michigan Association of  
Certified Public Accountants

April 28, 2006

To the Library Board  
Brighton District Library  
Brighton, Michigan

Re: Comments and recommendations  
in conjunction with annual audit for the  
period ended November 30, 2005

Board Members:

We have audited the financial statements of Brighton District Library for the period ended November 30, 2005. Included within the purview of the audit is the requirement under Public Act 2, P.A. of 1968, as amended, that we review current internal controls and procedures and report on the results of comments and recommendations of the prior year.

All recommendations in the prior year were followed. There are no current year recommendations.

Yours truly,

BUSS & COMPANY, P.C.



Certified Public Accountants

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